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PUTTING THE DAIRY BUSINESS IN ORDER

A radio talk by Dr. Clyde L. King, Chief, Dairy Section, Agricultural Adjustment Administration, broadcast Tuesday, September 19, 1933 in the Department of Agriculture period, National Farm and Home hour, by a network of 48 associate NBC radio stations.

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Friends in the dairy business:-

I wish to make a brief report of the progress you and we of the Agricultural Adjustment Administration have made in applying the provisions of the Agricultural Adjustment Act to the dairy industry, and to point out the next steps necessary in order to realize the goal of the act--prices which will give dairy products the same buying power they had in the years before the World War.

First, let's see where we stand now. How close is the goal? The situation is different for each milk shed. In general terms, for the country at large, here are the figures:

On August 15, the price that milk would have had to bring in order to have pre-war purchasing power was \$1.99 per hundredweight. The average actual price received by producers was \$1.39. Then we were sixty cents away from parity price for milk. At the same time the parity price for butterfat was 27.2 cents per pound; actual price, 18.4 cents a pound. We were 8.8 cents below parity.

We do not have figures for a later date than August 15, but we know that in the meantime prices of things farmers buy have advanced, so prices of milk and butterfat are further away from parity. Like Alice in Wonderland, it seems we must go twice as fast as we are in order to stand still.

The Agricultural Adjustment Act authorized the government to use two methods of bringing milk and butterfat prices to parity. One was the method of marketing agreements. The other method was production control.

As soon as the Act was passed, dairy interests were on the doorstep of the Department clamoring for marketing agreements. It was clear that chiseling tactics by distributors and producers had wrecked the carefully built up price structure on most of the milk sheds in the country. The marketing agreements offered a chance to handcuff the cut-throats.

There is little time to change or make over the entire machinery of getting milk and dairy products to the consumer. So it is doubly fortunate that the dairy industry has supported the marketing agreements program.

Up to now, the record is four milk shed marketing agreements and two national dairy agreements accepted and in operation. One of the milk shed agreements already has resulted in a court decision wherein the Judge ruled in favor of the Agricultural Adjustment Act. Enforcement is proceeding reasonably well in the milk shed market areas. As we have grappled with the problems presented by the proposed agreements for individual milk sheds we have learned more and more about the nature of the whole problem.



We will have our auditors check the returns to milk distributors so those returns may be kept as low as possible under NRA labor standards. We will have national agreements in every branch of the milk industry. But the basic trouble will remain to plague us if we do not correct the production situation.

I have often thought that our problem of attaining parity prices is somewhat like the old problem in arithmetic:

A man is rowing a boat four miles an hour upstream. The river is flowing 20 miles an hour. How long will it take the boat to travel 10 miles? With us, the river is the advancing price level for things we buy. The boat represents our mutual effort to overcome the current of costs and attain parity. We can't do it if we overload the boat.

Right now the current is prevailing against us because our cargo is too heavy. On September 1st there were in storage in this country 175 million pounds of butter. That's 68 million more than we carried last September; it's 43 million more than the September average of the past 5 years.

We don't have quite so much of an overload of cheese. The beer drinkers have been helping us out by eating more of this dairy delicacy. But on September 1st we had 94 million pounds in storage -- 12 million more than the 5-year average; 28 million more than last year.

Now what are we to do with this excess cargo?

Well, what we should like to do would be to take it off by increasing the consumption of milk and dairy products. We hope the NRA campaign will help do that by increasing the incomes of consumers. We also hope that every dairy family will help by using more milk and milk products at home.

And dairymen must wish every success to the efforts now underway to provide adequate nourishment for our city children. Miss Frances Perkins, our able Secretary of Labor, has called a national conference at Washington next month to consider this grave problem. Dairymen may well watch that conference closely. Dairy products are a great source of vitamins, of vitality and stamina to build better bodies for our children. Any attack on the problem of undernourishment involves increasing the consumption of milk. And let us dairymen produce a quality of milk which will give the utmost in building power to the diet of American children.

But assuming the maximum possible increase in consumption, we still are producing more milk than we can sell at parity prices. The real riddle of the dairy business is whether farmers themselves will join together to bring production into line with consumption needs. No Governmental edict, no advertising campaign, can make prices advance when more of a product is being turned out than people will use.

To keep the dairy boat from sinking we have to lighten the cargo faster than can be done by the longer-time program of production control. To that end, we propose first to establish a corporation that will have power to trade in butter and cheese. The money to start operations will be borrowed, but it will



eventually be paid by every branch of the industry, through a processing tax. The leaders of the industry have asked for and promised to support this effort. It will not be the sort of "stabilization" that we have come to dread because it piles up stocks and eventually does more harm than good. We are negotiating with the relief agencies, and I can assure you that at least part of the stocks bought for stabilization will be permanently removed, through being distributed, in relief work. Thus they will not remain to plague us in the future, and they will perform the service of keeping the people on the relief rolls in the habit of using dairy products, not substitutes.

The purpose of this effort will be to keep butter and cheese prices in line, well balanced, but not so high as to induce greater production. I repeat that the only way we can permanently solve our problem is to adjust or limit production -- perhaps by as much as 10 per cent -- until we can increase consumption.

There are difficulties in connection with control of production that have to be guarded against. For example, there is the fact that when our butter prices get too high New Zealand butter immediately begins coming into our markets. We certainly don't want to get into the merciless competition of the international butter market. Also, we are on the alert to see that regulations for replacement crops put on acres taken out of wheat and cotton do not add to commercial surpluses of dairy products. You have had repeated assurances from Chester Davis and Dean Cox on that point. I understand Dean Cox is speaking tomorrow on Farm and Home Hour and will again refer to this aspect of the dairy problem.

Well, I have outlined for you the plans now going forward for correcting abuses in the distribution of dairy products so as to put a plank under prices of milk; I have told you of the stabilization operations contemplated for the benefit of butter and cheese prices and relief work; and I have pointed out with all possible emphasis that the fundamental problem is control of milk production; also I have mentioned some of the delicate considerations that must govern the dairy industry as it puts into operation marketing agreements and stabilization plans, and production control program.

We welcome the advice and suggestions sent us by dairymen in every State; We are grateful for the support of the great cooperative groups and the majority of manufacturers and distributors. Our goal is parity for dairymen. We can achieve it with your complete cooperation.

